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C O N F I D E N T I A L SECTION 01 OF 04 VIENTIANE 000111

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STATE FOR EAP/MLS  
STATE FOR EEB/CIP/BA  
STATE FOR EEB/ESC/IEC  
STATE FOR INR  
STATE FOR OES/PCI/ACOVINGTON  
STATE FOR OES/ENV/ASALZBERG  
BANGKOK FOR REO (JWALLER)  
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BANGKOK FOR FCS (GOLSEN)

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TAGS: [EAGR](#) [ENRG](#) [EIND](#) [SENV](#) [BEXP](#) [LA](#) [VM](#) [CH](#) [CB](#)  
SUBJECT: LAOS: PLANS FOR FIVE LARGE DAMS ON THE MEKONG  
MAINSTREAM ADVANCE

REF: A. 07 VIENTIANE 390  
[1](#)B. 07 VIENTIANE 351  
[1](#)C. 07 VIENTIANE 312  
[1](#)D. 07 PHNOM PENH 1189

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Classified By: AMBASSADOR RAVIC R. HUSO. REASON: 1.5 B AND D

[1](#)1. (SBU) Summary: Over the past year the Government of Laos has signed 5 Memoranda of Understanding with companies from China, Vietnam, and Thailand to develop large dams on the mainstream of the Mekong river where both banks are within Laos. Four of the dams are estimated to individually produce more megawatts (MW) than Nam Theun II, currently the largest foreign investment and largest dam in Laos with an estimated future output of 1070 MW. An additional mainstream dam is estimated at between 600-1000 MW. A sixth dam, planned for a "finger" of the mainstream as it flows into Cambodia, is currently undergoing a review of its Environmental Impact Assessment. This dam, the Don Sahong, has been criticized by a number of NGOs for the negative effects it could have on Mekong fisheries. As the number of planned dams on the mainstream and its tributaries rises in Laos, the need for a more comprehensive look at the environmental effects of hydropower development becomes more apparent. Not to be overlooked are the economic opportunities the increase in dam construction offers U.S. companies. End Summary.

[1](#)2. (SBU) Refs A,B, and C discuss efforts by U.S. based independent power producer (IPP) AES to win the right to carry out the feasibility study for a 1260 megawatt (MW) run of the river dam in Xayaboury province. In March 2007 this was the first potential dam site on the Mekong itself (as opposed to its tributaries) that the Lao Government had opened for development. All four planned mainstream Mekong dam sites are now undergoing feasibility studies. Although the winner of the feasibility study does not automatically have the right to build the dam, in practical terms the winner has the right of first refusal and controls the process going forward.

13. (SBU) A useful list of current and proposed hydropower projects can be found at [www.poweringprogress.org/energy](http://www.poweringprogress.org/energy) sector. Although not exhaustive, it does list over seventy current and planned dams for the Mekong and its tributaries in Laos. The energy development plan for Laos currently lists four large projects for the mainstream of the Mekong, each of which would generate more electricity than the Nam Theun II project in central Laos. In principle, these projects should all be run of the river dams to avoid large-scale flooding of central Laos. Run of the river dams on the Mekong will likely span the entire river and create small reservoirs behind them. As a number of companies have promised to allow traditional boat traffic to continue, they may also use locks, or create diversions for fish and/or boat traffic.

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China Well Represented  
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14. (C) Feasibility studies for three of the planned projects were granted to Chinese firms. The proposed Pak Bang dam, approximately 1300 MW in Oudomxay Province, was given to Datang International of Hong Kong ([www.dtpower.com/en](http://www.dtpower.com/en)) on August 30, 2007. The company was given 30 months to carry out the feasibility study, which is supposed to cover the technical, economic, social, and environmental aspects of the possible project. Datang also received permission on December 12, 2007 to carry out a survey for a large mainstream project which is not on the power development plan. To be located about 250 kilometers north of the capital in the Xanakham district of Vientiane Province, the new project is purported to have an approximate capacity of over 1000 MW. Alex Sanford (protect), the American citizen General Manager of the Theun-Hinboun hydropower project, told econoff on January 8 he had been approached by Datang to help

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them in their dealings with the Lao government. According to Mr. Sanford, Datang controls over 20 gigawatts of energy production in China, including nuclear power plants, and is serious about expanding into Laos. Mr. Sanford also agreed the planned Mekong dams should be run of the river, although he does not believe Chinese companies are likely to see environmental considerations as a large concern. (Comment: Mr. Sanford, a former lawyer who has also assisted the Electrical Generating Authority of Thailand (EGAT) in its power purchase negotiations with Laos, wears a number of hats within the regional hydropower community and has proven a prescient source. End Comment.)

15. (SBU) Two other Chinese firms, Sino Hydro Corporation and the China National Electronics Import and Export Corporation, received approval June 12, 2007 to carry out a thirty month feasibility study for the Pak Lay project, a projected 1320 MW dam in Xayaboury Province. The projected cost of the dam is currently \$1.7 billion. Sino Hydro stated they believe a future concession, including construction, would last 30 years. A number of recent dam projects in Laos have noted an expected 30 year concession period, to include time for construction. In general, dams in Laos operate on a Built-Operate-Transfer model, with the GOL taking full ownership at the end of the concession period.

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Vietnam and Thailand round out the concessionaires  
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16. (SBU) On October 17, 2007, PetroVietnam signed a Memorandum of Understanding with the GOL to build a 1,410 MW, \$1.7 billion dam on the mainstream of the Mekong, near the confluence with the Pak Ou river, in Luang Prabang province. The feasibility study is under way and expected to be completed by April 2008. According to GOL officials, PetroVietnam will need at least an additional two years to negotiate the entire concession package with the government.

Expected construction start date is 2010, with completion in 2015. Current plans are for the power to be transmitted to Nghe An Province in northern Vietnam. This will likely require construction of new power transmission lines as well.

A number of dams currently under consideration/construction have power lines that are financed by the Asian Development Bank (ADB). With ADB funding comes the requirement to adhere to enhanced environmental standards. (This is also the case with World Bank/International Finance Corporation financing as well.)

17. (SBU) A Thai construction company, CH Karnchang (see ref A, B, C), won the first concession in 2007 to carry out a feasibility study on the Mekong. Its projected 1260 MW project is located in Xayabury province on the main stream of the Mekong. Following the 30-month feasibility study the company will be well positioned to secure concessions for the building and operation of the dam. Here as well the GOL currently plans a thirty year Build-Operate-Transfer concession. CH Karnchang is also a partner in a number of other dams in Laos, including the 615 MW Nam Ngum II project in Vientiane Province and the Nam Bak I and II projects in Vientiane Province (via its subsidiary Southeast Asia Energy or SEAN).

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Don Sahong Dam Could Severely Impact Mekong Fishery  
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18. (SBU) In addition to the five large dams planned for the mainstream of the Mekong in the north/central region of Laos, a sixth smaller project, the Don Sahong, is planned for a channel of the mainstream where it splits into "fingers" before entering Cambodia. The GOL and the Malaysian engineering company Mega First Corporation Berhad (MFCB) signed a Memorandum of Understanding in March of 2006 about the Don Sahong hydropower project, estimated at 240 MW. The projected dam is located in the Khone Falls area, where the

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Mekong River drops 20-30 meters from a plateau to the Mekong plain. In June 2007 the World Fish Center published an analysis of the dam indicating its siting along a particular channel of the Mekong, the Hoo Sahong, would block the only deep channel that allows fish to migrate through the falls year round. According to the analysis, this would "effectively block dry season fish movements between the Lower Mekong plains and the Mekong Basin upstream." This is important because seasonal migration between riverine ecosystems is an essential part of the life and reproductive cycle of Mekong River fish.

19. (SBU) The World Conservation Union (IUCN), a conservation network uniquely composed of states, government agencies, NGOs, and individual scientists, prepared a report commenting on a draft Environmental Impact Assessment for the Don Sahong project. The IUCN report was largely critical of the draft EIA, pointing out the project was a serious threat to migration and breeding patterns of Mekong River fish. In particular, the Giant Mekong Catfish, which can only use the Hoo Sahong during the dry season, would have this key access route blocked. IUCN also criticized the lack of transparency in the EIA process. According to the GOL's National Hydropower Policy, promulgated in 2006, project owners are legally required to release information including "project consultation reports, impact assessments, mitigation plans, and monitoring reports." A number of NGOs have previously complained about the government's refusal to abide by its own policy. When questioned about the policy, Mr. Seumkham Thoummavongsa, the Deputy Chief of Social and Environmental Management at the Ministry of Energy and Mines, appeared unaware of the national policy promoting hydropower transparency, and claimed the EIAs were private company documents. (Note: Post has previously secured EIA information unavailable to NGOs by approaching the GOL with requests for information and pointing out the information

should, under Lao law, be public. End note.) Mr. Seumkham also noted the Ministry was currently reviewing the Don Sahong EIA.

¶10. (C) Comment: A recent Lao newspaper article quoted the Deputy Director General of the Lao Department of Electricity stating that Laos is aiming for 30,000 MW of installed capacity along the Mekong and its tributaries by 2029. Considering that Laos currently produces under 1000 MW of electricity a year from hydropower, the government plans a rapid and significant construction of hydropower projects on the Mekong and its tributaries. As Laos provides more water to the Mekong than any other country in the basin, dams here will also have a significant effect on the overall health of the basin and its fisheries. Post concurs with ref D, which makes a number of useful suggestions on engaging regional governments and suggests OES take the lead in organizing inter-agency discussion on Washington on regional hydropower development to develop USG policy. The Regional Environmental Officer and USAID Bangkok will soon publish a regionally coordinated cable containing additional information on the challenges facing the Mekong River Basin and discussing the need to examine these issues in more detail.

¶11. (C) Comment continued: The expected rise in dam construction in Laos brings increased economic opportunities as well as environmental challenges. The GOL has stressed that Laos is "open for business" and would like to see more U.S. trade and investment. Informing U.S. companies of the export and service opportunities available in Laos stemming from the increase in dam construction and rapid GDP growth should also be considered when developing a U.S. approach to the Mekong River Basin. The Ambassador recently attended a blessing ceremony for \$30 million of Caterpillar equipment being leased by Phu Bia Mining, an Australian firm with a minimum thirty year concession covering over 1% of Laos. According to Robert Allen, Phu Bia's Country Affairs Manager, future mines in the concession will also use Caterpillar equipment, with an expected minimum value of \$10 million per

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mine. End Comment  
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